

Message Text

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PAGE 01 MANILA 16584 01 OF 02 260324Z

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-10 H-02 L-03 PA-01

PRS-01 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 OFA-01 AGR-05

DODE-00 /108 W

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P 260203Z NOV 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9777

INFO AMEMBASSY BANGKOK PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 16584

USADB

FOR NAC AGENCIES

E.O. 11652: 2/26/76

TAGS: EAID, EFIN, TH

SUBJECT: PROPOSED ADB LOAN - FISHERIES DEVELOPMENT PROJECT
(THAILAND)

SUMMARY: ADB MANAGEMENT PROPOSES \$20 MILLION EQUIVALENT
LOAN FROM ORDINARY CAPITAL RESOURCES TO KINGDOM OF THAILAND
TO FINANCE FOREX COST AND PART OF LOCAL CURRENCY (LC) COST
OF FISHERIES PROJECT INCLUDING MODERNIZATION OF PART OF
THAI FISHING FLEET AND PROVISION OF ONSHORE FACILITIES, EQUIP-
MENT AND SERVICES TO EXPLOIT FOR DOMESTIC CONSUMPTION PELAGIC
(SURFACE DWELLING) FISH RESOURCES OFF COASTS OF THAILAND.
USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC.R116-75 WITH ATTACHMENTS DESCRIBING PROPOSED
LOAN POUCHED ADDRESSEES NOV 19. BOARD CONSIDERATION
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PAGE 02 MANILA 16584 01 OF 02 260324Z

SCHEDULED DEC. 11.

2. ADB MANAGEMENT PROPOSING \$20 MILLION LOAN FROM ORDINARY CAPITAL RESOURCES TO KINGDOM OF THAILAND. PROCEEDS WILL FINANCE FOREX COST OF REPLACEMENT/MODERNIZATION OF THAI FISHING VESSELS INCLUDING GILLNETTERS AND PURSE SEINERS; AND ONSHORE FACILITIES INCLUDING FIVE ICE MAKING/REFRIGERATION COMPLEXES; A FLEET OF 32 REFRIGERATED TRUCKS, OFFICES, STAFF HOUSING AND AUXILIARY FACILITIES INCLUDING RADIO PHONES, WEIGHING MACHINES; CONSULTING SERVICES. PROPOSED TERMS ARE 20 YEAR AMORTIZATION INCLUDING 4 YEAR GRACE PERIOD, 8-3/4 PERCENT INTEREST. KINGDOM OF THAILAND TO BE BORROWER, FISH MARKETING ORGANIZATION (FMO) AND COLD STORAGE ORGANIZATION (CSO) TO BE EXECUTING AGENCIES.

3. FISH IS PRINCIPAL ANIMAL PROTEIN SOURCE IN THAI DIET, AND GOVT'S THIRD NATION PLAN (1971/72 - 1975/76) ACCORDS HIGH PRIORITY TO FISHERY SECTOR TO INCREASE FOOD PRODUCTION, EMPLOYMENT AND FISHERMEN LIVING STANDARDS. TOTAL FISH PRODUCTION ESTIMATED AT 1.68 MILLION METRIC TONS (MT) IN 1973, APPORTIONED 60 PERCENT DEMERSAL (DEEP SEA) SPECIES, 20 PERCENT SHELL FISH, AND 20 PERCENT PELAGIC VARIETIES. THAI FISHING FLEET HAS 26,439 VESSELS, 75 PERCENT MECHANIZED. THAILAND EXPORTED 104,100 M.T. FISH, SHRIMP AND FISH PRODUCTS IN 1974 VALUED AT \$82 MILLION AND IMPORTED ABOUT 19,000 M.T. (CANNED FISH, ETC.) VALUED AT \$4.6 MILLION IN 1973.

4. ACCORDING TO UNDP/FAO SOUTH CHINA SEA FISHERIES DEVELOPMENT AND COORDINATING PROGRAM AND ON BASIS SURVEYS UNDERTAKEN IN GULF OF THAILAND AND ANDAMAN SEA, TOTAL SUSTAINABLE CATCH OF DEMERSAL VARIETIES (ABOUT 1 MILLION M.T./YR) NOW BEING TAKEN ALONG THAI COASTS. THEREFORE, GOVT SEEKING CONSERVE DEMERSAL RESOURCES AND NOT ENCOURAGING FURTHER TRAWLER FISHING.

5. WITH RESPECT TO SURFACE-DWELLING RESOURCES HOWEVER, THERE IS POTENTIAL FOR GREATER EXPLOITATION THAI COASTAL WATERS. TOTAL SUSTAINABLE ANNUAL YIELD THESE VARIETIES IN FISHING AREAS OF 639,000 SQ. KILO-

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PAGE 03 MANILA 16584 01 OF 02 260324Z

METERS ALONG BOTH COASTS ESTIMATED AT 680,000 M.T. WHILE ANNUAL CATCH IS ONLY 386,000 M.T. OR 56 PERCENT POTENTIAL VOLUME. PROPOSED PELAGIC FISHING FOUNDS IN THAI WATERS WHERE PROJECT VESSELS WOULD OPERATE ARE IN ANDAMAN SEA OFF PHUKET AND IN GULF OF THAILAND SOUTH TO SURAT THANI.

6. TOTAL CATCH EXPECTED UNDER PROPOSED PROJECT IS

45,100 M.T. EQUIV. TO 47.5 PERCENT OF TOTAL PELAGIC POTENTIAL OF BOTH COASTS, WITH GULF FISHING ACCOUNTING FOR 37,800 M.T. OF EXPECTED INCREASE. CATCH OF PROJECT VESSELS TO BE COMPRISED OF SPECIES SUITABLE FOR DOMESTIC CONSUMPTION AND FOR WHICH MARKET DEMAND HAS BEEN ESTABLISHED, INCLUDING SPANISH MACKEREL, ANCHOVY, BONITO/TUNA, SHARK, SCAD, MACKEREL AND CARANX. GOVT HAS PROVIDED ASSURANCES THAT IF ANY SIGNIFICANT DECLINE PELAGIC RESOURCES IN NOTED, REMEDIAL CONSERVATION MEASURES WOULD BE TAKEN (SIDE LTR 4, PARA 8).

7. PROJECT CONSISTS OF TWO PARTS, PART A REPLACEMENT/MODERNIZATION OF FISHING VESSEL FLEET AND PART B, ONSHORE FACILITIES. PART A COMPRISED OF CONSTRUCTION 450 GILLNETTERS OF 12-14 METER CLASS WITH 30-60 HP MARINE DIESEL ENGINES, NAVEQUIPMENT, FISHING GEAR AND SPARES; ALSO 30 WOODEN ANCHOVY PURSE SEINERS OF 14-15 METER CLASS WITH 60-90 HP MARINE DIESELS, NAVEQUIPMENT, FISHING GEAR AND SPARES; 100 WOODEN TRADITIONA PURSE SEINERS OF 16-18 METER CLASS WITH 135-210 HP MARINE DIESELS, NAVEQUIPMENT, SONAR FISH FINDERS, RADIO PHONES, FISHING GEAR AND SPARES; AND CONSTRUCTION OF THREE 20 METER CLASS MODERN WOODEN PURSE SEINERS WITH 240 HP MARINE DIESELS, INCLUDING AUX GENERATOR UNITS, SEINE SKIFF ENGINES, NAVEQUIPMENT, SONAR FISH FINDERS, RADIO PHONES, DECK AND FISHING GEAR AND SPARES. FLEET MODERNIZATION THUS TO BE ACCOMPLISHED BY LOCAL CONSTRUCTION OF 583 VESSEL HULLS TO HAVE IMPORTED ENGINES AND EQUIPMENT INSTALLED. LOCAL SHIPYARDS CONSIDERED FULLY CAPABLE BUILDING HULLS.

8. CONSULTING SERVICE FOR PART A INCLUDES NAVAL ARCHITECT (9 MAN/MOS); PURSE SEINER MASTER FISHERMAN (12 LIMITED OFFICIAL USE

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PAGE 04 MANILA 16584 01 OF 02 260324Z

MAN/MOS), FISHERIES EXPERT (12 MAN/MOS), FINANCIAL EXPERT (18 MAN/MOS) AND INSTITUTIONAL EXPERT (24 MAN/MOS).

9. PART B, ONSHORE FACILITIES INCLUDE ONE LARGE ICE MAKING/REFRIGERATION COMPLEX AT HUA HIN WITH 300 TON (-25 DEGREES CENT.) COLD STORAGE, 200 TON (0 DEGREES CENT.) COOLER STORAGE, 15 TON/DAY FREEZER, 150 TON/DAY ICE MAKER, 300 TON ICE STORAGE, 100 KW STANDBY GENERATOR, OTHER ITEMS. ALSO THREE MEDIUM COMPLEXES AT BAN PAE, SURAT THANI AND PHUKET EACH COMPRISED OF 200 TON (-25 DEGREES CENT.) COLD STORAGE, 100 TON (0 DEGREES CENT.) COOLER STORAGE, 20 TON/DAY FREEZER, 100 TON/DAY ICE MAKER, 300 TON ICE STORAGE, 75 KW STANDBY GENERATOR, OTHER ITEMS. ALSO ONE SAMALLER COMPLEX AT KHON KAEN COMPRISED OF 100 TON (-25 DEGREES CENT.) COLD

STORAGE, 50 TONE (0 DEGREES CENT.) COOLER STORAGE, 2 TON/
DAY FREEZER, 30 TON/DAY ICE MAKING, 50 TON ICE STORAGE,
ETC. PROJECT ALSO INCLUDES 32 10-TON PAYLOAD REFRIGER-
ATED TRUCKS, OFFICE AND STAFF HOUSING FOR 50 EMPLOYEES,
AND AUX FACILITIES INCLUDING RADIO PHONES, VEHICLES,
WEIGHING MACHINES, ETC.

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PAGE 01 MANILA 16584 02 OF 02 260332Z

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DODE-00 /108 W

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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 16584

10. PART B CONSULTING SERVICES INCLUDE 18 MAN/MOS.
REFRIGERATION EXPERT, 12 MAN/MOS MARKETING EXPERT AND
18 MAN/MOS FOR FINANCIAL/INSTITUTIONAL EXPERT.

11. PART A FOREX ALLOCATION FOR ENGINES AND EQUIPMENT
\$7,038,200; \$1,908,600 FOR CONTINGENCIES; \$553,200 FOR
CONSULTING SERVICES, FOR TOTAL OF \$9.5 MILLION. LOCAL
CURRENCY (LC) PART A ALLOCATION FOR VESSEL CONSTRUCTION
AND INSTALLATION \$6,669,000 EQUIV; CONTINGENCY
\$2,386,100 EQUIV; AND \$33,700 EQUIV. FOR CONSULTANTS;
\$1,207,200 EQUIV. FOR WORKING CAPITAL FOR TOTAL PART A
LC ALLOCATION \$15,420,200 EQUIV. (308,405,000 BAHT).

12. PART B FOREX ALLOCATION IS \$4,712,000 FOR REFRIGERATION COMPLEXES; \$1,280,000 FOR REFRIGERATED TRUCKS AND VEHICLES; \$40,000 RADIO PHONES; CONSULTING SERVICES \$351,200 AND \$1,616,800 FOR CONTINGENCIES. PART B LC ALLOCATION IS \$4,326,700 EQUIV. FOR REFRIGERATED COMPLEXES; \$549,500 EQUIV. FOR REFRIG. TRUCKS AND LIMITED OFFICIAL USE

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PAGE 02 MANILA 16584 02 OF 02 260332Z

VEHICLES; \$57,000 EQUIV FOR RADIO PHONES ; \$475,000 EQUIV. FOR HOUSING; 21,600 EQUIV. FOR CONSULTANTS; \$1,500,000 EQUIV. WORKING CAPITAL AND \$1,070,200 EQUIV. FOR CONTINGENCY. TOTAL PART B LC ALLOCATION \$8 MILLION EQUIV. (160,000,000 BAHT).

13. PROPOSED LOAN TO COVER FOREX COMPONENTS OF PART A (9.5 MILLION) AND PART B (\$8 MILLION) AND AN ADDITIONAL \$2.5 MILLION EQUIV. TO FINANCE PART OF LC COSTS OF PART A (\$1.2 MILLION EQUIV) AND PART OF LC COSTS PART B (1.3 MILLION EQUIV.). LOAN PROCEEDS FOR PART A AND PART B TO BE RELENT BY GOVT TO FMO AND CSO RESEPECTIVELY AT SAME TERMS AS BANK LOAN WITHGOVT ASSUMING ALL FOREX RISK (SIDE LTR NO 4, PARA 6; SIDE LTR 5, PARA 5). FMO WOULD LEND TO SUB-BORROWERS AT 12 PERCENT INTEREST WITH AMORTIZATION RANGING FROM 8 TO 12 YRS ACCORDING TO CLASS OF VESSELS FINANCED. 3-1/4 PERCENT INTEREST SPREAD TO COVER ADMIN COSTS, BAD DEBTS AND GEN'L RESERVES. REPAYMENTS OF PART A SUB-LOANS TO BE CREDITED TO SPECIAL REVOLVING FUND EARMARKED FOR FISHERIES DEVELOPMENT, TO MEET MARKETING, STORAGE AND OTHER CREDIT NEEDS OF FISHERIES SECTOR. BANK FINANCING OF PART (ABOUT 10 PERCENT) OF LC COSTS OF PROJECT JUSTIFIED ON BASIS SOCIAL/ECONOMIC BENEFITS ACCRUING TO LARGE NUMBERS OF LOW-INCOME FISHERMEN; HELP PROVIDE PROTEIN REQUIREMENTS LARGE NUMBERS OF CONSUMERS IN NORTHERN/NORTHEASTERN REGIONS NOW HAVING LOW PER CAPITA FISH CONSUMPTION. REMAINING LC REQUIRED TO BE MADE AVAILABLE AS NEEDED THROUGH GOVERNMENT EQUITY CONTRUBTUIONS AND COMMERCIAL BANK LOANS MADE AT REASONABLE TERMS.

14. FMO, EXECUTING AGENCY FOR PART A, DEEMED SUITABLE WITH CONSULTANT HELP TO PROVIDE MARKETING SERVICES AND CREDIT TO INDIVIDUAL FISHERMEN, REDUCE PRESENT RELIANCE BY FISHERMEN ON COSTLY, NON-INSTITUTIONAL CREDIT SOURCESS. FMO HAS SOUND FINANCIAL POSITION, WILL ESTABLISH NEW DIVISIONS FOR PROVIDING CREDIT TO FISHERMEN. CSO BUYS AND SELLS FISH, ICE, RENTS COLD STORAGE FACILITIES, IS ALSO CONSIDERED IN SOUND FINANCIAL CONDITION CAPABLE INPLEMENTING PART B. CAPITAL STRUCTURE AND AUDIT REPORTS OF BOTH AGENCIES TO BE REVIEWED BY BANK FROM TIME TO TIME. LIMITED OFFICIAL USE

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PAGE 03 MANILA 16584 02 OF 02 260332Z

15. GOODS AND CONSULTING SERVICES FOR PROJECT TO BE PROCURED IN ACCORD BANK'S GUIDELINES. SUPPLY CONTRACTS FOR EQUIPMENT/MATERIALS OVER \$100,000 ON BASIS INTERNATIONAL COMPETITIVE BIDDING; UNDER \$100,000 THROUGH INTERNATIONAL SHOPPING. FISHING VESSEL HULLS (PART A) AND CIVIL WORKS (PART B) TO BE PROVIDED BY LOCAL BOAT YARDS AND CONTRACTORS SELECTED ON BASIS COMPETITIVE BIDDING.

16. PROJECT CONSIDERED TECHNICALLY FEASIBLE, FINANCIALLY VIABLE; FINANCIAL RATE OF RETURN FOR PROJECT AS A WHOLE ESTIMATED AT 18.5 PERCENT. EMPLOYMENT TO BE PROVIDED TO OVER 3600; NET INCOME OF FISHERMEN TO INCREASE; MORE FISH TO BE MADE AVAILABLE TO CONSUMERS AT MORE STABLE, LOWER PRICES BY AVOIDING WASTE AND SPOILAGE. PROJECT TO TAKE ABOUT 3 YEARS TO COMPLETE FROM DATE OF LOAN EFFECTIVENESS. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION. REQUEST U.S. MISSION BANGKOK COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
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